



Board of Administration
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May 17, 2006

The Honorable Arnold Schwarzenegger
Governor, State of California

Honorable Members of the California Legislature

The Board of Administration of the California Public Employees' Retirement System (CalPERS), has accepted the June 30, 2005 Actuarial Valuation of the Legislators' Retirement System (LRS). Section 9358 of the Legislators' Retirement System Law provides that when the actuarial value of assets exceeds the present value of benefits (referred to as "superfunded" status) resulting in a 0% contribution rate for the State, the CalPERS Board of Administration may reduce the member contributions for the same fiscal year in which the State rate is reduced to 0%.

Due to superior investment returns, the LRS' system continues to be "superfunded". As of June 30, 2005 and June 30, 2004, the LRS market values of assets were \$138.1 and \$134.6 million, respectively. The present values of benefits as of the same dates were \$107.4 and \$107.4 million, respectively. Under these circumstances, no further contributions for current members are needed for the system if actuarial assumptions are realized in the future. Details of this can be found in the actuarial report. Of course, downturns in the market or other unfavorable experience to the LRS could reverse this situation producing the need for State and member contributions at some point in the future.

The Board is pleased to file the 2005 Report of the Actuary for the Legislators Retirement System with the Governor and the Legislature.

Respectfully,

Rob Feckner, President
CalPERS Board of Administration